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New ways in which the United Nations could address the crisis of multilateralism and trade and its development machinery, as well as what the contribution of UNCTAD would be

Note by the UNCTAD secretariat

Executive summary

Multilateralism and international trade are facing intensifying pressure, in particular with regard to their development impact. This is compounded by the rise of nationalist sentiment, the increased use of trade-restrictive policies, increasing difficulties in adopting hard rules in multilateral trade negotiations and a growing tendency to craft trade deals in bilateral, plurilateral and regional settings. The challenge for the international community is to ensure that the headwinds that multilateralism and international trade are currently facing do not hold back the contribution of international trade to the achievement of the 2030 Agenda for Sustainable Development and the Sustainable Development Goals. The United Nations and UNCTAD, as the focal point in the United Nations for the integrated treatment of trade and development, have an important role to play in this regard.

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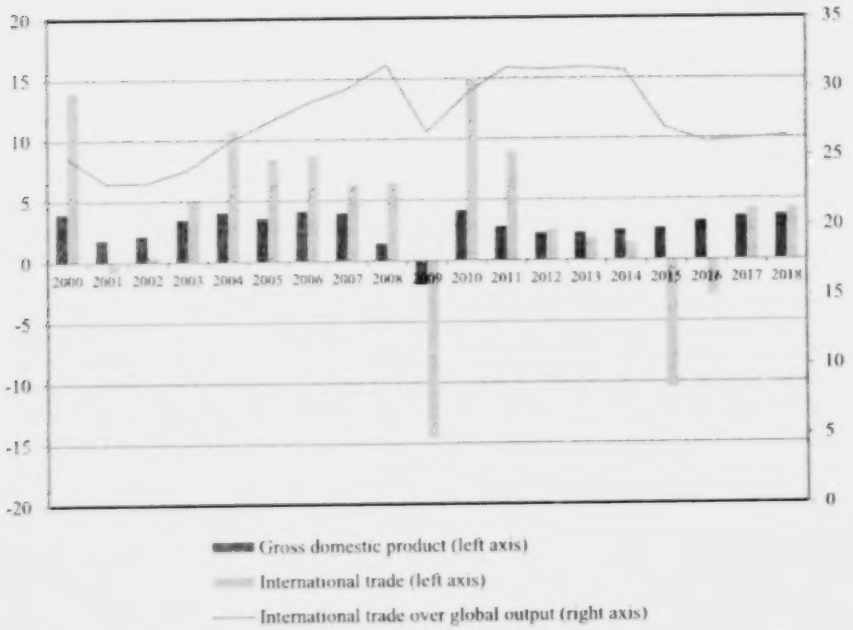
Introduction

1. Section 1 of this note discusses the crisis in multilateralism and international trade. Section 2 delineates approaches to maximizing the contribution of trade to inclusive and sustainable development. Section 3 discusses stronger UNCTAD intergovernmental consensus-building and soft-law approaches, to complement hard rule-making. The note concludes with several suggestions and questions for discussion with a view to revitalizing multilateral approaches to trade and sustainable development.

1. Trends in international trade and multilateral cooperation

2. International trade accounts for important shares of the outputs of national economies, yet its rise in importance has slowed. The most commonly used index of globalization trends, namely the ratio of the value of international trade over global output, stalled at about 30 per cent in 2011–2014, a level first reached in 2007, then fell by about 5 percentage points in 2015 and 2016 (figure 1).

Figure 1
Trends in international trade and global output
(Percentage)

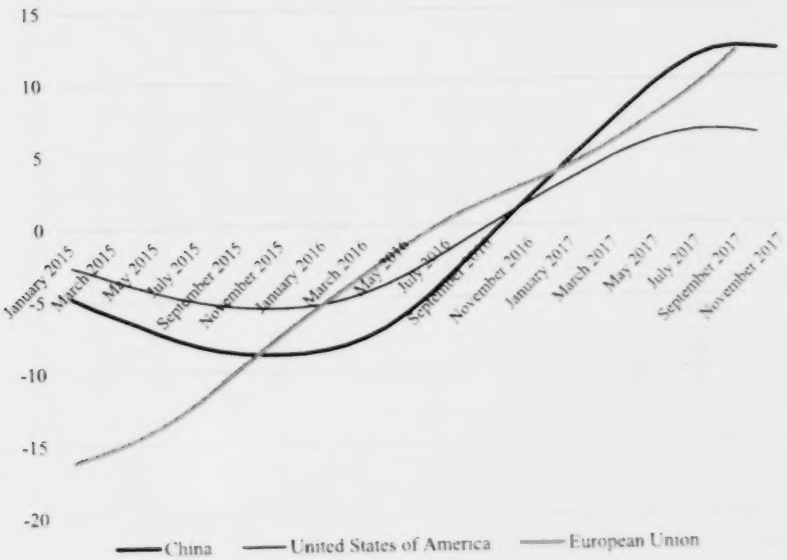


Source: UNCTAD calculations, based on UNCTADstat.

3. The most recent statistics and forecasts point to a positive trend in relation to both international trade and global output. Figure 2 shows trade trends for the three largest economies, namely China, the United States of America and the European Union, by illustrating the percentage change in the value of trade, measured as imports plus exports, compared with the same month in the previous year; displays the sharp declines in the value of trade in 2015 and early in 2016; and shows the recovery in all three economies since the fourth quarter of 2016. Overall, it is likely that in 2017 and 2018, trade will outpace output growth, albeit marginally. Global output growth is expected to be around

3.6 percentage points and trade growth, around 4 percentage points.[1] A recovery in trade growth is a positive factor for developing countries in particular, provided that it reflects growth in developing country exports.

Figure 2
Annual growth rate of trade in selected economies
(Percentage)

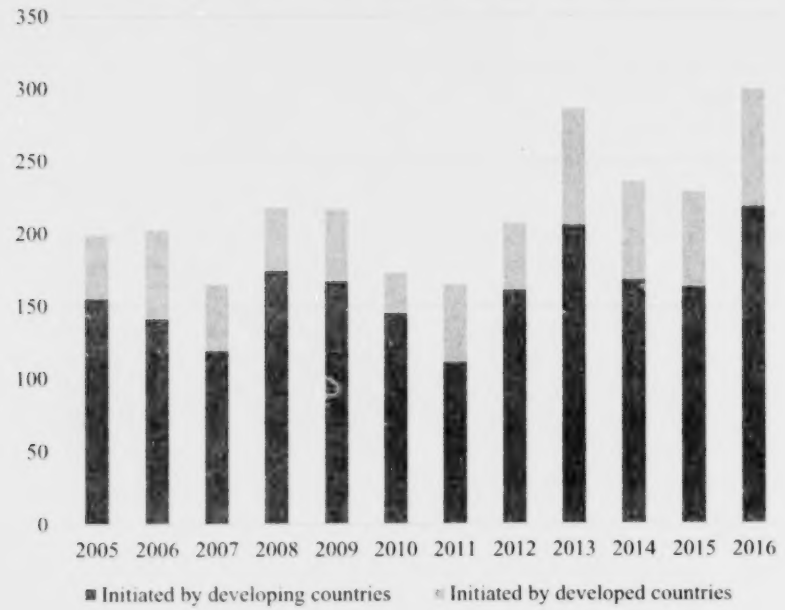


Source: UNCTAD calculations, based on Census Bureau of the United States, Eurostat and National Bureau of Statistics of China.

4. The recovery in trade remains fragile, as it is too early to gauge whether this positive trend will continue in the coming years. There is significant uncertainty and vulnerability affecting the global economy, and there are growing trade frictions between countries that may negatively affect international trade in the near future. Public support for globalization and for multilateral cooperation has waned. Concerns with regard to the benefits of globalization are also reflected in a surge in protectionist rhetoric. Debates on the persistence of trade imbalances and on the fairness of export promotion practices between the major economies are of concern. In addition, these developments have been accompanied by an increase in trade defence measures, such as anti-dumping and safeguard measures, and related investigations and disputes (figures 3 and 4). All of these developments have resulted in policymaking processes that are more cautious with regard to multilateral cooperation initiatives.

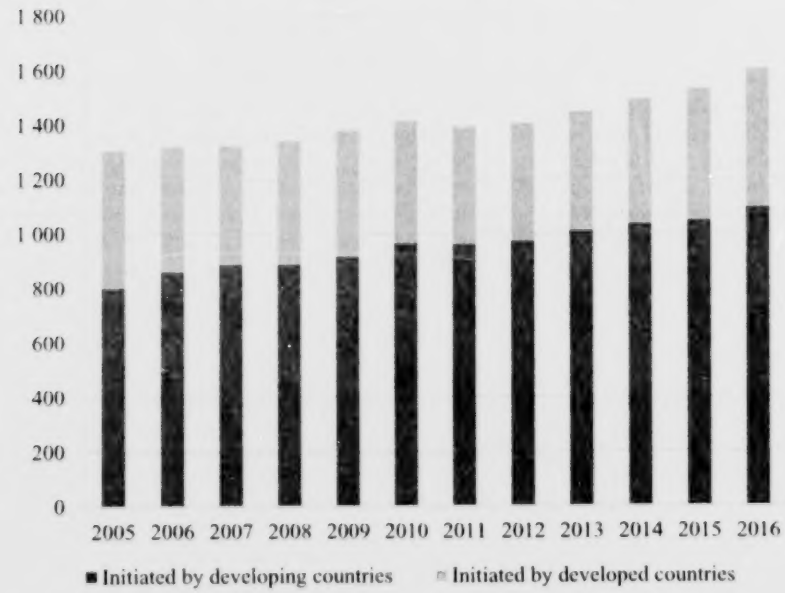
[1] International Monetary Fund. 2017. *World Economic Outlook October 2017: Seeking Sustainable Growth – Short-Term Recovery, Long-Term Challenges*. Washington, D.C.

Figure 3
Anti-dumping investigations, by number of investigations initiated



Source: UNCTAD, 2017, *Key Statistics and Trends in International Trade 2016: A Bad Year for World Trade?* United Nations publication, Geneva.

Figure 4
Trade defence measures, by number of cases with measures in effect



Source: UNCTAD, 2017.

5. Recently enacted protectionist measures risk provoking trade disputes, retaliations or trade wars. If many countries, in particular major trading economies, engage in trade-related disputes, such friction can impede the recovery of international trade and undermine multilateral cooperation.

6. The weakening globalization trend observed over the past decade has been accompanied by growing recognition that the economic gains and opportunities brought about by globalization have not been inclusive and have not always translated into sustainable economic, social and environmental well-being. Trade has contributed to lifting millions of people out of poverty, yet there remain a large number of people for whom the globalization process and trade openness has been harmful. In some countries, international trade and the rules governing such trade, developed through years of multilateral cooperation and administered through international arrangements, are increasingly perceived as detrimental to ordinary workers and as eliminating jobs, in particular in manufacturing sectors. Such concerns emphasize the issue of the equitable distribution of gains from trade and, in this regard, the need for policymaking at all levels that sufficiently protects the interests of the less privileged. In addition, rapid technological progress, such as the automation of production processes, has displaced some workers, yet has also created opportunities for new jobs based on technological advancements, and strategies to effectively harness technological change are therefore crucial.

7. Geopolitical challenges, technological innovations and socially or environmentally driven changes have created complex and urgent problems at both national and global levels. These challenges, and the need to address them collectively, added impetus to the adoption of the 2030 Agenda. However, despite the momentum launched by the adoption of the Sustainable Development Goals, there are mounting concerns over the ability, and practicability, of multilateralism to address global problems and promote sustainable development through a strengthened global partnership. Many Governments are finding it increasingly difficult to combine their domestic agendas with international commitments that often encompass and interact with sensitive policy areas of national competence.

8. The weakening globalization trend is also mirrored in the status of some multilateral cooperation processes, in particular the stalemate in multilateral trade rule-making under the World Trade Organization and in the appointment of members of its appellate body. The continued hiatus in reaching comprehensive results, including at recent ministerial conferences, illustrates the difficulties in advancing a multilateral agenda at this time. Some difficulties originate from a lack of consensus in negotiations on the multilateral policies and rules that would best support the development process in developing countries. Other difficulties originate from the emergence of new issues owing to the rapid changes that the global economy is experiencing, such as in electronic commerce (e-commerce) and investment and trade facilitation, which some countries wish to address.

9. The need for and scope of increased participation in international trade remains strong in many developing countries, in particular the least developed countries and small and vulnerable economies. It is therefore important to establish robust multilateral hard trade rules, to provide predictability, transparency and stability in market openings. However, efforts to improve multilateral hard trade rule-making continue to stall, yet the policymaking process has continued to progress at bilateral and regional levels. The number of preferential trade agreements, investment treaties and technical assistance programmes targeting behind-the-border and at-the-border policy reforms has continued to increase. There are two issues of concern to be considered in this regard. First, a more polarized international rule-making approach may not be in the interest of parties with more limited negotiating power and economic weight. Second, such polarization is likely to create a set of mutually inconsistent rules, which it may thereafter be difficult to establish at the multilateral level, as the rules may have been cemented by the interests of societal groups and economic lobbies.

10. There is therefore a high level of uncertainty as to how multilateral cooperation and the multilateral trading system will evolve in the coming years. For international cooperation to resume and to succeed, in particular with regard to the 2030 Agenda and the Sustainable Development Goals, Governments need to advance an economic agenda that is not only outward looking but also fair and equitable and that brings benefits to a much

larger share of constituents. In the absence of a coherent multilateral agenda that responds to the headwinds faced by globalization, the world may continue to drift toward nationalism and multipolarity.

II. Nurturing the contribution of trade to the achievement of the Sustainable Development Goals

11. Over the last decades, trade has contributed to promoting national economic growth and development and making available a wide range of goods and services to populations. Recognizing the contribution of trade, Goal 17 sets specific trade-related targets. Moreover, the fact that these targets are an integral part of achieving all of the Goals serves as a reminder that trade is not an end in itself. Trade and trade policy should serve as a catalyst for socioeconomic and environmentally sustainable development, advancing the 2030 Agenda commitment to build people-centred economies. Trade policy and rules should be development friendly, by being sensitive to and accompanied by complementary national and regional policies, to reduce poverty, create jobs and/or provide social safety nets for affected populations, as well as to promote sustainable development.

A. Trade as an engine of growth: Related targets under the Goals

12. The 2030 Agenda states that "international trade is an engine for inclusive economic growth and poverty reduction, and contributes to the promotion of sustainable development".[2] Targets related to trade include promoting a universal, rules-based, open, non-discriminatory and equitable multilateral trading system (target 17.10); significantly increasing the exports of developing countries, in particular with a view to doubling the least developed countries' share of global exports by 2020 (target 17.11); and realizing the timely implementation of duty-free and quota-free market access on a lasting basis for all least developed countries (target 17.12). Trade also generates important resources that can help finance the achievement of the Goals. The importance of development-friendly international trade as an engine of growth, in particular for developing countries, is therefore underlined.

13. With regard to the multilateral trading system, the Eleventh Ministerial Conference of the World Trade Organization, held in December 2017, ended without a formal outcome in the form of an overarching ministerial declaration. Instead, a set of ministerial decisions was adopted on a limited number of issues, notably fisheries subsidies (see box). Some members also agreed to initiate discussions on three new issues, namely e-commerce, investment facilitation and microenterprises and small and medium-sized enterprises.

World Trade Organization: Fisheries subsidies

Prior to the Eleventh Ministerial Conference, an agreement appeared promising on ending harmful fisheries subsidies, in line with target 14.6 on prohibiting or eliminating such subsidies by 2020, given the urgency to meet this target.

Instead, members agreed to "continue to engage constructively in the fisheries subsidies negotiations, with a view to adopting, by the Ministerial Conference in 2019, an agreement on comprehensive and effective disciplines that prohibit certain forms of fisheries subsidies that contribute to overcapacity and overfishing, and eliminate subsidies that contribute to [illegal, unreported and unregulated] fishing, recognizing that appropriate and effective special and differential treatment for developing country members and least developed country members should be an integral part of these negotiations". This decision sets a deadline for finding a solution to harmful economic incentives that contribute to the depletion of fish stocks and hinder the livelihood of coastal populations.

[2] A/RES/70/1.

The relationship between the Sustainable Development Goals and the Doha Round on fisheries subsidies highlights both the potential of and challenges in multilateral trade policy as an effective instrument to address pressing environmental issues under the Goals.

In support of these negotiations, at the fourteenth session of the United Nations Conference on Trade and Development in 2016, UNCTAD, jointly with the Food and Agriculture Organization of the United Nations and the United Nations Environment Programme, and with support from 91 States, adopted a joint statement on regulating fisheries subsidies, which seeks to promote consensus to achieve successful negotiations. UNCTAD continues to work with member States to find solutions to this issue of public goods.

Sources: World Trade Organization, 2017, Fisheries subsidies: Ministerial Decision of 13 December, document WT/MIN(17)/64; UNCTAD, 2016, Regulating fisheries subsidies, available at http://unctad.org/en/Pages/DITC/Trade-and-Environment/Regulating-Fisheries-Susidies.aspx (accessed 3 April 2017).

14. Improving market access at the border in developing countries (targets 17.11 and 17.12) and behind the border in the sectors of greatest importance for poor populations remains a challenging task. For example, agricultural markets in developed countries remain restrictive, both because of border protection through tariffs and domestic support through subsidies. Average agricultural tariffs have been above 6 per cent since 2005 and have not shown much reduction in the past several years. Such restrictions remain important,
yet non-tariff measures and private standards often represent an even higher barrier to exports. The number of non-tariff measures rose from over 1,500 in the mid-2000s to over 2,500 in 2015. Such measures tend to raise the unit values of traded products by 15–30 per cent in food and agricultural sectors and by 5–20 per cent in manufacturing sectors.[3]

15. Non-tariff measures and private standards often represent an important hurdle for market access, yet they are also supportive in the achievement of sustainable development. Many non-tariff measures arise from domestic legislation designed to protect the health and safety of the population or the environment and private standards are used to meet increasing consumer demands for environmental and social sustainability. Significantly, although it serves similar objectives, domestic legislation generally differs between countries, resulting in unnecessary obstacles to trade. The coordination and/or harmonization of such policies, for instance through the adoption of international standards and increased regulatory convergence, may be helpful in this regard. Ways forward on this matter could build on the coordination by UNCTAD of work on non-tariff measures among several United Nations and international and regional organizations, as well as on its comprehensive database on non-tariff measures. They could also build on the partnership of UNCTAD with several United Nations agencies aimed at addressing market access and development issues arising from private standards, namely the United Nations Forum on Sustainability Standards
(see https://unfss.org/).

16. Fast, reliable and transparent trade procedures are important for developing countries to be able to reach markets abroad and to participate in global value chains. In addition, implementing trade facilitation reforms entails direct benefits for national development related to populations and institutions, through associated investments in capacity-building and public-sector reforms. Specific measures that involve transparency, capacity-building and institutional modernization have a direct bearing on the achievement of several of the Sustainable Development Goals. The implementation of trade facilitation

[3] UNCTAD, 2013, *Non-Tariff Measures to Trade: Economic and Policy Issues for Developing Countries*, United Nations publication, New York and Geneva.

is also closely correlated with development indicators. Put differently, the likelihood that a developing country will implement trade facilitation reforms depends not only on its willingness to increase the volume of its foreign trade, but above all on national capacity to implement such reforms.

17. Many measures in the Agreement on Trade Facilitation of the World Trade Organization, which entered into force in 2017, have a direct link to the Goals. For example, article 1 covers the publication and availability of information on import, export and transit procedures; a country that complies with article 1 may therefore be closer to achieving target 16.10, which, inter alia, aims to ensure public access to information. By making trade easier and less opaque, many trade facilitation measures directly encourage informal businesses to declare transactions and participate in formal foreign trade, thereby supporting the achievement of target 8.3 on the formalization and growth of microenterprises and small and medium-sized enterprises.

18. As developing countries face increasingly greater challenges in accessing large and complex markets, development assistance and global partnerships for development are more important than ever. Improving development assistance, such as by increasing resources through aid for trade, providing trade-related information and increasing investment, is necessary to improve developing country access to markets.

B. Policy areas in which to enhance the contribution of trade to the 2030 Agenda

19. At the macroeconomic level, international trade, that is, exports of goods and services, accounts for more than half of the gross domestic product of many low-income countries. Moreover, under certain conditions, international trade provides support for a large number of jobs in many developing countries (Goal 8), thereby contributing to the achievement of other Goals with regard to access to food, health care, education, energy and water and sanitation. Beyond income generation, trade also influences the achievement of most of the Goals through other channels, both directly and indirectly. Countries need to ensure that the aggregate gains from trade are maximized, shared fairly and equitably, in particular among the most vulnerable groups, and that those who are affected by trade-related disruptions and adjustments are quickly brought back to productive employment. Trade policies alone are not enough to achieve this and complementary policies such as fiscal and financial policies, as well as policies related to investment, industry, education, skills and innovation and competition and consumer protection, along with quality infrastructure and trade facilitation measures in favour of microenterprises and small and medium-sized enterprises, are essential for inclusive development. Some of these interrelated policy dimensions are detailed in the following sections.

1. Enabling people to benefit from trade opportunities

20. Providing jobs and incomes to vulnerable populations, including the poor, women and youth, is an overarching theme of the Goals. Trade and trade policies may be used to address related concerns, such as decreasing the lack of gender-related equality. For example,

pro-poor trade policies can increase the relative income of poor households by altering the availability, accessibility, affordability and quality of essential goods, for example lowering tariffs on mosquito nets in countries where malaria is prevalent, to help reduce child mortality.[4] Greater attention may be placed on minimizing and averting the negative employment outcomes of integration into the international economy.

[4] A Nicita, M Olarreaga and G Porto, 2014, Pro-poor trade policy in sub-Saharan Africa, *Journal of International Economics*, 92(2):252–265; UNCTAD, 2016, *Trading into Sustainable Development Trade, Market Access and the Sustainable Development Goals*, United Nations publication, New York and Geneva.

21. The contribution of trade and trade policies to enhancing equality should not be taken for granted, as they can also exacerbate inequalities. Analytical work by UNCTAD on the impact of trade liberalization on gender equality shows that trade liberalization has mixed impacts on women workers.[5] Women may obtain stable wage employment, yet they may receive low salaries and have limited opportunities for skills development. To avoid trade policy changes that reinforce existing inequalities, Governments need to design pro-poor and gender-sensitive trade policies.

22. An important way forward may be for countries to elaborate Goals-oriented trade policy frameworks best suited to their development circumstances. It would be relevant for developing countries to reformulate and implement integrated Goals-oriented national trade policies through multi-stakeholder dialogues.[6] Such efforts may be accompanied by national trade policy reform efforts associated with processes of accession to the World Trade Organization.[7]

23. As trade increasingly takes place online, achieving target 17.11 increasingly requires enterprises in developing countries to be visible online and engage in e-commerce. New digital solutions can help overcome challenges to exporting, such as those related to small domestic markets and remoteness from global markets and other geographical disadvantages. Traditionally, only large and productive firms were able to bear the costs associated with export entry, such as identifying and marketing to distant customers. Such costs can be significant with each successive export market entry. By reducing information asymmetries and costs related to communications and information, transactions, searches and matching, new solutions can help lower overall trade costs.[8]

24. Digital technologies also create opportunities for new types of trade in digitally traded products, services and tasks, as well as for increased traditional trade using e-commerce and online platforms to match buyers and sellers. Such platforms can help enhance the visibility of products. However, although digitalization can help make trade more inclusive, gains are not automatic. Companies still need to ensure that their goods and services meet the quality standards and prices expected by potential clients. Challenges include ensuring that entrepreneurs have the required capabilities to engage in e-commerce, as well as cross-border trade, such as capabilities in digital marketing and the ability to comply with various trade rules.

2. The role of services exports in achieving the Goals

25. The services sector plays an increasingly important role in the world economy in creating employment, building linkages, coordinating production processes and facilitating international trade. In 2016, it accounted for about 67 per cent of output and 49 per cent of employment in the world economy.[9] As the contribution of services activities as intermediate inputs in production in all economic sectors, including agriculture and industry, has increased, the servicification of international trade has deepened in both developed and developing countries. Developing the services sector is therefore important in enhancing trade and development.[10]

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[5] UNCTAD, 2014, *Looking at Trade Policy Through a Gender Lens: Summary of Seven Country Case Studies Conducted by UNCTAD*, United Nations publication, New York and Geneva.

[6] UNCTAD has assisted several countries upon request in this regard, including Algeria, Botswana, the Dominican Republic, Jamaica, Namibia, Panama, Tunisia and Zambia. See, for example, UNCTAD, 2017, *Trade Policy Framework: Panama*, United Nations publication, New York and Geneva.

[7] UNCTAD has assisted over 20 acceding countries in this regard, including those with post-conflict and fragile economies.

[8] UNCTAD, 2017, *Information Economy Report 2017: Digitalization, Trade and Development*, United Nations publication, Sales No. E.17.II.D.8, New York and Geneva.

[9] UNCTADstat and World Bank World Development Indicators database.

[10] For example, in Malawi, Uganda and Zambia, financial credit access, transport, marketing and information services have determined to a large extent the gains of farmers producing crops destined for export to international markets. See UNCTAD, 2014, *Services: New Frontier for Sustainable Development – UNCTAD Findings on Services, Development and Trade*, United Nations publication,

26. Developing countries with weak domestic productive capacities in manufacturing sectors, in particular commodity-dependent and small economies, may diversify their export baskets into services products such as tourism. Given the high transportation costs of merchandise goods due to weak connectivity and long distances to major markets, as well as advances in information and communications technology and e-commerce technology, services trade can be a good alternative approach to promoting trade and domestic employment.[11]

3. Trade and environmental stability

27. Trade can contribute to protecting the Earth, for example by making clean technologies available worldwide. The production and transport of goods leaves an ecological footprint that needs to be minimized through the fostering of sustainable production and transport technologies, to achieve sustainable development under Goals 11–15. At times, environmentally sustainable trade may act as a catalyst for social and economic development. For example, green exports can provide avenues for developing country producers to protect the environment while achieving higher market prices for exports.[12]

28. The potentially adverse impacts of international freight transport activity on human health, the environment and the climate are a cause for concern, as are the potential impacts of climate change on seaports and other coastal transport infrastructure. If left unchecked, unsustainable freight transport patterns are likely to undermine the effective achievement of the Goals and the Paris Agreement under the United Nations Framework Convention on Climate Change. It is important to assist the effective integration of developing countries into global and/or regional trading networks and transport systems and their participation in relevant value chains through, among others, efficient, reliable, cost-effective, well-connected, socially inclusive, environmentally sustainable and climate-resilient freight transport systems. Over 80 per cent of world merchandise trade by volume and over 70 per cent by value is carried by sea,[13] and sustainable and climate-resilient maritime transport can be a sustainable development catalyst.

4. Reducing adjustment costs and protecting those that may be left behind

29. Trade liberalization and reforms can bring frictions and adjustment costs in the short term. For example, trade reforms can strongly affect the structure of employment, creating employment in some sectors while disrupting employment in other sectors. This can result in temporary unemployment as workers change jobs or industries. Accordingly, countries should put accompanying measures in place to ease the transition for workers and firms, for example by providing additional training for displaced workers to qualify for work in booming sectors, such that they can once more benefit from trade at a later stage. Adequate social policies are also required to protect those negatively affected by trade-

New York and Geneva.

[11] In this regard, UNCTAD assists countries and regions in assessing their services policies, with a view to building productive capacities in services and developing supportive and adequate regulatory and institutional frameworks that can promote services that support the achievement of the Sustainable Development Goals. Countries and regions assisted to date include Bangladesh, Nepal, Paraguay, Uganda and the Economic Community of West African States. See, for example, UNCTAD, 2016, *Services Policy Review: Bangladesh*, United Nations publication, New York and Geneva.

[12] In this regard, UNCTAD has assisted several countries upon request in developing green export reviews to identify potential sectors for production and trade, including Ecuador, Lebanon, Madagascar, Oman, the Republic of Moldova, Senegal and Vanuatu. In addition, the UNCTAD BioTrade initiative has supported sustainable production and trade in biodiversity-based products for many years, mainly by the rural poor that live in proximity to the resources from which they derive these products. See, for example, UNCTAD, 2016, *National Green Export Review of Vanuatu: Copra-Coconut, Cocoa-Chocolate and Sandalwood*, United Nations publication, New York and Geneva.

[13] UNCTAD, 2017, *Review of Maritime Transport 2017*, United Nations publication, Sales No. E.17.II.D.10, New York and Geneva.

related disruptions who cannot change sectors, an effect more likely to occur among elderly populations.

30. In general, adjustment costs need to be taken into greater consideration in policymaking processes. The implementation of trade reforms may at times be designed to minimize such costs, for example as intended in the agreement on the Continental Free Trade Area in Africa.[14]

5. Reducing anti-competitive practices

31. Trade and investment reforms and liberalization in support of economic growth and development can be circumvented by the national and/or cross-border anti-competitive behaviour of enterprises. To counter and halt such behaviour, comprehensive competition provisions are necessary at all levels. Strengthened competition laws and policies may facilitate the national and international competitiveness of key sectors and the growth of the private sector in countries and regional groupings.

32. In addition, robust cross-border cooperation by competition authorities can address the harmful effects of international cartels that restrain access by small and medium-sized enterprises to regional and global value chains. Such efforts are in line with the United Nations Set of Multilaterally Agreed Equitable Principles and Rules for the Control of Restrictive Business Practices. Roughly two decades previously, only a few developing countries had competition law regimes in place; currently there are almost 140 jurisdictions that have enacted competition laws, along with several regional-level competition laws and policies, such as in the following: Andean Community; Caribbean Community; Common Market for Eastern and Southern Africa; Eurasian Economic Community; Southern Common Market; and West African Economic and Monetary Union.

6. Developing productive capacities

33. Participation in global trade can enable countries to strengthen productive capacities and allow them to be competitive in increasingly sophisticated international markets. The development of productive capacities requires boosting investment, enhancing firm capabilities and fostering technological progress and innovation. Trade policies should therefore be accompanied by complementary policies, such as in investment, industry, education, skills and innovation, which are essential for the successful development of supply capacities for trade. Such policies may be framed by an industrial policy for building industrial productive capacities. Building firm capabilities is also relevant in this regard and requires learning, skills development and enterprise development.

34. Building productive capacities requires investment, both public and private. Given the financing gap of $2.5 trillion annually in developing countries, the achievement of the Sustainable Development Goals will not be possible without private investment, including foreign direct investment.[15] However, harnessing foreign direct investment for development poses significant challenges to policymakers, in particular given the highly fragmented system of international investment relations. National efforts are required to develop productive capacities, yet the international community also has a vital role, in particular in the areas of technical assistance, technology transfer and access to finance for investment. Public sources of finance, including foreign aid, may be mobilized, for example to help finance infrastructure-related investments for trade. Public finance also helps developing countries integrate into global value chains, which can promote development through mechanisms such as technology transfer, skills and knowledge development and learning by doing.

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[14] In this regard, UNCTAD research on the impact of the different tariff reduction modalities proposed for the Continental Free Trade Area highlights the need for adjustment measures to address concerns over possible losses in tariff revenues and welfare through longer implementation periods in some countries, in particular the least developed countries (UNCTAD, 2018, African Continental Free Trade Area: Challenges and opportunities of tariff reductions, Research Paper No. 15).

[15] UNCTAD, 2014, *World Investment Report 2014: Investing in the [Sustainable Development Goals] – An Action Plan*, United Nations publication, Sales No. E.14.II.D.1, New York and Geneva.

III. Stronger UNCTAD intergovernmental consensus-building and soft-law approaches, to complement hard rule-making

35. The crisis in multilateralism and trade-related hard rule-making brings to the fore the need for more specific assessments of the governance of trade for sustainable development. This crisis does not justify a rejection of the hard rule-making process, as this provides stability, predictability and transparency in the rights and obligations undertaken under the international trading system. At the same time, the rules-based multilateral trading system can potentially reduce the policy options of States in achieving the Goals, which underlines the importance of ensuring a robust development dimension. Elaborating trade frameworks that foster inclusive and sustainable development may therefore be better undertaken by way of developing best practices and soft laws, such as voluntary codes of conduct and guidelines. Such a process would enable countries to safeguard policy space while building up a non-binding system of commitments and best practices that could eventually be taken over by relevant multilateral institutions when countries wish to move from soft to hard rule-making and governance.

36. The current proliferation of plurilateral and issue-based negotiations has made forging trade alliances and reaching multilateral consensus increasingly complex. Countries may often be reluctant to give up policy space when exploring commitments multilaterally. Against this background, UNCTAD offers United Nations Member States informal and formal space for open and creative dialogues to explore policy issues and interests and, ultimately, reach consensus without immediately requiring hard commitments. In contrast to the legally binding nature of commitments under the World Trade Organization and their enforcement through the Dispute Settlement Body, the consensus-building role of UNCTAD in multilateral trade and development policymaking stimulates exchanges and the sharing of best practices and experiences, with a view to making trade work for development.

UNCTAD can thereby prepare the ground and support member States in openly and holistically discussing collective actions to problems inherent in multiparty and multi-issue trade negotiations.

37. The consensus-building role of UNCTAD may be useful in the near future as members of the World Trade Organization begin to explore the role and contribution of new issues discussed at the Eleventh Ministerial Conference, namely e-commerce, investment facilitation and microenterprises and small and medium-sized enterprises. There is an opportunity for member States to reach consensus on these emerging issues in a non-binding setting. This would follow the example demonstrated in other areas that have previously been a focus of non-binding consensus-building and soft-law approaches at UNCTAD, such as the Generalized System of Preferences, the United Nations Guidelines for Consumer Protection and the United Nations Set of Multilaterally Agreed Equitable Principles and Rules for the Control of Restrictive Business Practices.

38. UNCTAD leadership in data collection and in the research and analysis of developing country trade and development issues contributes to incubating knowledge that underpins intergovernmental consensus-building and soft-law approaches. For example, UNCTAD research and analysis discusses important new trends and challenges, such as the impact of robots on industrialization and inclusive development, which could have useful applications in international consensus-building on frontier issues, such as how developing countries can respond to and benefit from technological change.[16] Such analyses also detail the opportunities for development provided by globalization and trade, and the complementary policies that need to be in place to foster inclusive growth and poverty reduction. In addition, UNCTAD provides data and analyses for monitoring, in the wider United Nations system, the implementation of the outcomes of important trade and development-related intergovernmental and multi-stakeholder processes, including, among

[16] UNCTAD, 2017, *Trade and Development Report 2017: Beyond Austerity – Towards a Global New Deal*, United Nations publication, Sales No. E.17.II.D.5, New York and Geneva.

others, the follow-up process of the Third International Conference on Financing for Development. UNCTAD also provides statistical and analytical inputs to the monitoring of a number of the global indicators for the Sustainable Development Goals for which UNCTAD is the custodian. A stronger focus on the intergovernmental consensus-building and soft-law approaches of UNCTAD could help to strengthen the substantive content and effectiveness of contributions to such global processes.

39. UNCTAD technical assistance can also provide fruitful field-level experiences on which intergovernmental consensus-building and soft-law approaches can draw for evidence of how policies may be put into practice. As the United Nations focal point for the integrated treatment of trade and development and interrelated issues, UNCTAD engages in extensive inter-agency collaboration in providing technical assistance on trade and development-related matters. Field-level inter-agency mechanisms, such as the United Nations Inter-Agency Cluster on Trade and Productive Capacity coordinated by UNCTAD, offer a promising avenue by which to filter upwards experiences from trade and development-related operations at national and regional levels, in order to strengthen the non-binding consensus-building and soft-law approaches of UNCTAD.

IV. Policy recommendations

40. The following policy recommendations are proposed:

(a) In the current interconnected, liberalized and fast-changing environment, for trade not to be lost as an enabler of inclusive development, the international community needs to urgently work together, in all available forums, to uphold multilateralism as the cornerstone of the Global Partnership for Sustainable Development (Goal 17).

(b) The multilateral approach should remain at the core of the global partnership, to achieve sustainable development through trade.

(c) The framework for a development-friendly international trading system may be based on both hard law and soft law, with the latter taking greater prominence when the former presents difficulties with regard to policy space and options.

(d) UNCTAD, as the focal point in the United Nations for the integrated treatment of trade and development and interrelated issues in the areas of finance, technology, investment and sustainable development, has an important contribution to make in strengthening multilateralism in trade and development relations to advance the Sustainable Development Goals.

41. The Trade and Development Board may wish to consider the following questions:

(a) Amid the current retreat from multilateralism and the crisis in rule-making in the multilateral trading system, what actions should the international community take to strengthen a revival in international trade and revitalize the multilateral trading system? How should the international community ensure that multilateralism brings about transformative impacts under the Sustainable Development Goals and enables trade to bring shared prosperity?

(b) The symptoms of discontent with multilateralism and trade should not be left unaddressed, yet what should policymakers do to enable international trade to deliver on the Sustainable Development Goals? Can trade policy be, at the same time, poverty sensitive, gender sensitive, labour sensitive, environmentally sensitive and climate friendly?

(c) Given that crises can trigger change, what does the future portend for the United Nations and its development machinery in enhancing the contribution of trade to sustainable development? What should be the contribution of UNCTAD?